

Message Text

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PAGE 01 SAIGON 16036 01 OF 02 070956Z

12

ACTION AID-59

INFO OCT-01 EA-11 ISO-00 IGA-02 EB-11 COME-00 TRSE-00

AGR-20 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15 OMB-01 DRC-01

/174 W

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P R 070340Z SEP 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 6835

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 SAIGON 16036

EO 11652: N/A DECLAS 12/31/73

TAGS: EAGR, VS

SUBJ: RICE SITREP FOR JULY 1973

REF: A. SAIGON 2928 B. STATE 173228 C. CANTHO 0678

D. SAIGON 13105 E. SAIGON 15160 F. SAIGON 12985

G. SAIGON A-1611

1. SUMMARY. RECENT GVN ACTIONS SETTING QUOTAS, FIXING PRICES AND CONTROLLING MOVEMENTS SEEM TO HAVE RESPONDED TO PUBLIC PRESSURES AND NOT TO HAVE HURT RICE SUPPLIES SO FAR. MISSION ESTIMATE OF RICE SUPPLY SITUATION IN VIETNAM IS UNCHANGED. BASED ON CURRENT AND PAST DATA, MISSION BELIEVES TIGHT SUPPLY SITUATION WILL CONTINUE WITH JUST ENOUGH TO SEE VIETNAM THROUGH UNTIL NEW US IMPORTS ARE AVAILABLE. PANIC BUYING AND HOARDING REMAIN A DANGER. IN ANY CASE, EARLIEST POSSIBLE DELIVERY 70,000 MT (INCLUDING 30,000 MT NOT NOW COVERED BY AN AGREEMENT) NEW IMPORTS IS NECESSARY TO PREVENT STOCK SHORTAGES IN INV AND DEC. NEW MOE PURSHASING CONTRACTS FOR 34,000 MT FROM DELTA
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PAGE 02 SAIGON 16036 01 OF 02 070956Z

HAVE BEEN SIGNED FOR SEPT/OCT DELIVERY. DIVERSION TO GKR

OF 20,101 MT RICE AND REPAYMENT AGREEMENT HAVE BEEN COMPLETED.
DIVERSION 47,355 MT FROM ROKG TO GVN SCHEDULED TO BE COMPLETED
BEFORE END OF SEPTEMBER. OFFICIAL PRICES FOR US MEDIUM AND LONG
GRAIN RICE RAISED FROM 900 AND 96 TO 140 AND 146. MILLED
RICE PRICES ROSE VERY SHARPLY IN JULY, PEAKED DURING SECOND
WEEK OF AUGUST, WERE PUT UNDER GVN CONTROLS AUGUST 24, AND HAVE
REMAINED RELATIVELY STABLE SINCE.
END OF SUMMARY.

2. END JULY SAIGON AND CENTRAL VIETNAM STOCKS (000 MT)

SAIGON IMPORTED 39.6
SAIGON DOMESTIC 10.00
SAIGON PRIVATE 10.6
DEFICIT PROVINCES 60.3
TOTAL: 120.5

3. APPARENT JULY CONSUMPTION (000 JT)

END OF JUNE STOCKS: 149.8
DELTA DELIVERIES: 39.9
IMPORTS (1): 5.1
TOTAL AVAILABLE: 194.8
MINUS END OF JULY STOCKS: 120.5
EQUALS STOCK DRAWDOWN: 74.3
MINUS SHIPMENT TO GKR: 19.2
EQUALS APPARENT CONSUMPTION: 55.1
(1) PA 45-737

4. REF A ESTIMATED TOTAL CY 1973 DELTA DELIVERIES WOULD BE ABOUT
445,000 MT. UNDERREPORTED DELTA DELIVERIES SEEM OFFSET BY LOWER
THAN EXPECTED APPARENT CONSUMPTION. THUS, ACTUAL PERFORMANCE
CONTINUES TO FOLLOW EARLIER PROJECTION VERY CLOSELY AND REMAINS OUR
BASIS FOR PREDICTING DELTA AVAILABILITY FOR THE REMAINDER OF CY 1973.
DELTA DELIVERIES IN AUGUST TOTALLED 54,100 MT. THIS HIGH TOTAL WAS
ACHIEVED BY A COMBINATION OF HEAVY GOVERNMENT PRESSURE TO MOVE
LARGE AMOUNTS OF RICE TO SAIGON AND MERCHANT DESIRE TO SELL
EXISTING STOCKS NOW RATHER THAN RISK APPEARING TO BE SPECULATING.
WE DOUBT THIS HIGH LEVEL OF DELIVERIES WILL BE MAINTAINED PAST
SEPTEMBER.

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PAGE 03 SAIGON 16036 01 OF 02 070956Z

5. REF B NOTED OPTIMISTIC EXPECTATIONS OUTLINED REF C. AFTER A
RE STUDY OF ALL STATISTICS TO DATE THIS YEAR, PAST YEAR RECORDS, AND
CONSULTATIONS WITH KEY PRIVATE SECTOR REPRESENTATIVES, MISSION
HAS CONCLUDED THAT THE TIGHT SUPPLY SITUATION WE HAVE BEEN REPORTING
IS MORE PROBABLE AND THAT SHARP OVERALL INCREASE IN DELTA
DELIVERIES IS EXTREMELY UNLIKELY.

6. THE QUOTA SYSTEM AND PRICE AND MOVEMENTS CONTROLS WERE DEVELOPED BECAUSE OF POLITICAL PRESSURE. THEY WERE PRIMARILY DESIGNED TO REGAIN CONTROL OVER RICE PRICE, RESTORE MILITARY AND CIVIL SERVANT MORALE AND REASSURE THE GENERAL POPULATION THAT ADEQUATE MEASURES WERE BEING TAKEN AGAINST COMMUNIST PURCHASES, FARMER/MERCHANT HOARDING, AND SPECULATION. PRESS COMMENT HAS BEEN UNIFORMLY FAVORABLE AND THE SHORT TERM RESULTS POSITIVE. RETAIL RICE PRICES ARE AT THIS TIME STABLE AND SUPPLIES ADEQUATE IN ALL AREAS OF THE COUNTRY. HOWEVER, PRELIMINARY DATA INDICATE AUGUST CONSUMPTION OF 81,000 MT, AND IT IS THUS PROBABLE THAT SOME HOARDING AT CONSUMER LEVEL HAS BEGUN. GVN'S MAIN OBJECTIVE MUST BE TO KEEP DEGREE OF CNFIDENCE HIGH ENOUGH TO PREVENT HOARDING FROM SPREADING.

7. DELTA DELIVERIES AUGUST THROUGH DECEMBER (000 MT RICE)

YEAR	AUG	SEPT	OCT	NOV	DEC	TOTAL	AVERAGE
1968	28.4	29.5	24.2	38.0	42.6	162.7	32.5
1969	32.1	35.2	18.7	8.1	15.1	109.2	21.8
1970	31.0	44.2	54.0	45.1	54.1	228.4	45.7
1971	43.8	49.0	39.0	32.5	31.7	196.0	39.2
1972	23.4	21.8	25.8	20.0	24.3	115.3	23.1
1973(1)	54.0	36.0	20.0	20.0	20.0	150.0	30.0
1973(2)	66.0	66.0	66.0	66.0	66.0	330.0	66.0

(1) MISSION CURRENT ESTIMATE.

(2) GVN QUOTAS ASSIGNED FOR DELTA DELIVERIES TO BOTH GSA STOCKS AND FREE MARKET.

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PAGE 01 SAIGON 16036 02 OF 02 070735Z

12

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LIMITED OFFICIAL USE SECTION 2 OF 2 SAIGON 16036

8. ABOVE TABLE SETS OUT AUGUST TO DECEMBER DELIVERIES IN PREVIOUS YEARS AND WHAT IS EXPECTED THIS YEAR. MISSION CURRENT ESTIMATE IS LOWER THAN GVN'S BECAUSE WE BELIEVE DELTA DELIVERY AVAILABLE FROM OLD CROP WON'T BE MORE THAN 75,000 MT MAXIMUM. PROBABLE DELIVERIES FROM EARLY TN HARVEST 70,000 MT TO 80,000 MT. AVAILABILITY ESTIMATES FROM OLD CROP BY WHICH GVN QUOTAS DETERMINED ARE BASED ON 6.35 MILLION METRIC TONS PADDY PRODUCTION FIGURE FOR 1972-1973 CROP YEAR INSTEAD OF MORE LIKELY 5.9 FIGURE USED BY MISSION. DELIVERY AND PRICE DATA THUS FAR THIS YEAR HINT EVEN 5.9 FIGURE MAY BE A BIT HIGH. WE BELIEVE IT TOO EARLY TO PREDICT SIZE OF FIRST CROP 1973 HARVEST. SOME MODEST INCREASE IN OUR ESTIMATE IN PARA SEVEN ABOVE IS POSSIBLE IF FIRST CROP IS EXCEPTIONALLY GOOD, BUT AT THIS POINT IN TIME, THE RISKS OF BEING SHORT COMPEL US TO BE CONSERVATIVE. IN ANY CASE, THERE APPEARS TO BE ENOUGH RICE TO SEE VIETNAM THROUGH UNTIL ARRIVAL OF NEW US IMPORTS. SUPPLIES WILL BE TIGHT AND THERE WILL BE NEED FOR CONSERVATIVZQ MANAGEMENT OF STOCKS. GVN AUTHORITIES AWARE OF THIS. IN LIGHT OF ABOVE, LATE NOVEMBER OR EARLY DECEMBER ARRIVALS OF NEW PL-480 RICE ON ORDER OF 70,000 MT (INCLUDING 30,000 MT STILL TO BE PRO-

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PAGE 02 SAIGON 16036 02 OF 02 070735Z

VIDED BY AMENDING THE PL-480 AGREEMENT) REMAIN CRITICALLY IMPORTANT.

9. SUPPLY OF RICE COULD BE HINDERED BY GVN DECISIONS REPORTED REF E AND G TO SET DELIVERY QUOTAS FOR DELTA PROVINCES AND FIX PRICES ON ALL PADDY AND RICE SALES. REDUCED PRICE INCENTIVES COULD CAUSE FARMER RELUCTANCE TO APPLY EXPENSIVE FERTILIZER INSECTICIDE INPUTS ON MAIN CROP NOW IN GROUND. HOWEVER, OUR HOPES THAT APPLICATION OF THE AUOTAS AND PRICE CONTROLS WILL NOT BE HEAVY-HANDED, AND THAT REAL NEGATIVE EFFECTS WILL BE NIL. WE HAVE DXPRESSED OUR CONCERN TO THE GVN AND THE MEASUES TAKEN SEEM TO HAVE BEEN LESS RADICAL THAN FIRST PROPOSED AND APPLIED DEFTLY SO FAR.

10. BASED ON MISSION CURRENT ESTIMATE OF 150,000 MT DELTA DELIVERIES AUGUST THROUGH DECEMBER, UPDATED STOCK PROJECTION REMAINDER OF YEAR FOLLOWS:

(000 MT RICE)

JULY AUG SEP OCT NOV DEC

BEGINNING STOCKS	149.8	121	129	123	89	41
DELTA DELIVERIES	39.9	54	36	20	20	20
IMPORTS(1)	5.1	35	26	14	0	70
TOTAL AVAILABLE	194.8	210	191	157	109	131
APPARENT CONSUMPTION	74.3(2)	81(3)	68	68	68	68
ENDING STOCKS	120.5	129	123	89	41	63(4)

(1) INCLUDES KOREAN RICE DIVERSIONS AND ALL 375,000 MT PL-480 RICE
PROPOSED FOR THE YEAR.

(2) 19.2 TO GKR

(3) 0.9 TO GKR

(4) ONE MONTH'S NORMAL CONSUMPTION IS 70,000 MT.

11. MOE HAS OPENED A NEW PURCHASING CONTRACT. THE OFFERING
PRICE IS 12,000 PIASTERS PER 100 KILOS NBR 1,25 PERCENT BROKENS.
THIS IS A VERY GOOD PRICE, BUT HAS DRAWN AGREEMENTS FOR ONLY 34,000
MT AND THE TOTAL IS UNLIKELY TO INCREASE. THIS TENDS TO REINFORCE
MISSION ESTIMATE OF AVAILABILITY. DELIVERY WILL BE SEPTEMBER AND
OCTOBER. THE FORMER CONTRACT AT 8300 PIASTERS FINISHED WITH ONLY
44,000 MT AGREED ON INSTEAD OF THE 49,000 MT PREVIOUSLY REPORTED
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PAGE 03 SAIGON 16036 02 OF 02 070735Z

AS SOME MERCHANTS HAD TO DEFAULT.

12. RICE DIVERSIONS TO PHNOM PENH DURING JULY TOTALLED 20,101 MT
AND AN AGREEMENT FOR REPAYMENT WAS CONCLUDED AUGUST 23 AND
REPORTED REF G. RICE DIVERTED FROM KOREA HAS BEGUN TO ARRIVE
AND SHOULD ALL BE HERE BY END OF SEPTEMBER.

13. PRICES

A. DELTA PADDY AT THE MILL (WEIGHTED AVERAGE PER 100 KILOS)

MAR 1 APR 1 MAY 1 JUN 1 JUL 1 AUG 1 AUG 15

HIGH QUALITY	6110	6055	5981	6033	6382	8345	9605
MEDIUM QUALITY	5088	5586	5413	5605	6270	7759	8935

B. SAIGON WHOLESALE RICE PRICES (100 KILOS)O

MAR 23 MAY10 JUN11 JUL23 AUG11 AUG20 AUG25

NANG HUONG	12700	12300	13300	15400	18500	17800	17600
SOC NAU	8900	8900	9420	12300	15200	13800	13500
NO 1,25							
PERCENT BROKENS	8500	8300	8900	11600	14200	13200	12850
IR-8	8100	7800	8300	11400	13800	12500	12300

C. SAIGON RETAIL RICE PRICES (100 KILOS)

MAR26 APR30 JUN4 JUL2 JUL23 AUG18 AUG20

NANG HUONG	13500	13500	14000	14800	16300	19000	18800
SOC NAU	9700	9700	10200	11000	12800	15500	14300
NO 1,25							
PERCENT BROKENS	9000	8800	9200	10000	12000	14800	13800
US MEDIUM	9200	9600	10000	10800	11800	14500	14200
US LONG	10600	11100	11500	12200	13000	16000	15200

14. AS REPORTED REF D, PADDY AND MILLED RICE PRICES WERE RISING SHARPLY IN JULY IN REACTION TO INCREASING AWARENESS OF THE TIGHT DOMESTIC SUPPLY SITUATION, THE WORLD SITUATION THE VALUE ADDED TAX, AND RUMORS OF IMPENDING OFFICIAL CHANGES IN US RICE PRICES. LIMITED OFFICIAL USE

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PAGE 04 SAIGON 16036 02 OF 02 070735Z

THAT TREND INTENSIFIED ALL THROUGH JULY AND PEAKED IN THE SECOND WEEK OF AUGUST. OFFICIAL PRICES FOR US RICE WERE RAISED AUGUST FOUR TO 140 AND 146 PIASTERS PER KILO FOR MEDIUM AND LONG GRAIN RESPECTIVELY. FOLLOWING RECISSION OF THE VALUE ADDED TAX ON ALL WHOLESALE AND RETAIL RICE SALES, PRICES DECLINED SOMEWHAT, BUT REMAINED HIGH OVERALL. PRICES WERE FIXED AUGUST 24 AROUND A CEILING OF 12,000 PIASTERS WHOLESALE PER 100 KILOS NBR 1,25 PERCENT BROKENS.

15. CONCERN IN THE RICE TRADE OVER RECENT GOVERNMENT PRICE AND MOVEMENTS CONTROL MEASURES IS DEEP AND REACTION IS UNCERTAIN. FOR NOW, IT APPEARS THAT RICE BROKERS ARE SELLING OFF EXISTING STOCKS AND THERE ARE SOME REPORTS THAT MERCHANT EFFORTS TO BUY ADDITIONAL PADDY AND RICE ARE PROCEEDING SLOWER THAN NORMAL.

16. RICE PRICES IN CENTRAL VIETNAM HAVE GENERALLY BEEN AT OR BELOW SAIGON LEVELS FOR THE PAST FEW WEEKS AS A RESULT OF MOE'S DECISION IN EARLY JULY TO SELL EQUAL QUANTITIES OF GOVERNMENT-HELD DOMESTIC RICE TO CENTRAL VIETNAM MERCHANTS AT 8300 WHENEVER THEY PURCHASED RICE AT THEN CURRENT MARKET PRICES. THIS WAS DONE TO KEEP RICE MOVING TO CENTRAL VIETNAM DURING JULY WHILE DELTA DELIVERIES WERE SLOWING DOWN CONSIDERABLY. RESPONDING TO THIS INCENTIVE PRIVATE SECTOR SHIPMENTS TO CENTRAL VIETNAM IN JULY WERE 10,965 MT AND FOR AUGUST WERE 16,779 MT. THIS SITUATION WHILE EFFECTIVE IS ARTIFICIAL AND PRICES IN CENTRAL VIETNAM CAN BE EXPECTED TO RISE TO NEW FIXED PRICE LEVELS SHORTLY AFTER MOE CURTAILS THE SPECIAL PRICES WHICH WERE OFFERED THERE STARTING IN JULY BECAUSE OF LOCAL SHORTAGES.

17. PADDY PRICES AND WHOLESALE AND RETAIL RICE PRICES ARE NOW ALL FIXED AROUND THE BASE OF 12,000 PIASTERS PER 100 KILOS WHOLESALE OF NBR 1,25 PERCENT BROKENS. THEY DIFFER FROM PROVINCE TO PROVINCE DEPENDING ON FACTORS OF QUALITY, TRANSPORTATION COSTS AND

MARKETING PROCEDURES. THE FIXED PRICES ARE INTENDED TO BE SHORT TERM, NOW TO DECEMBER. AT THIS POINT, THE 12,000 PIASTER PRICE IS FAIRLY CONSISTENT WITH REAL MARKET VALUES FOLLOWING REMOVAL OF THE VALUE ADDED TAX ON RICE TRANSACTIONS. INCLUDING ALLOWED MARKUP FOR RETAILERS, OFFICIAL RETAIL SELLING PRICES FOR RICE IN SAIGON ARE AS FOLLOWS:

NO 2, JAVA RICE (MORE THAN 45 PERCENT BROKENS: VN\$ 11540/100 KGS
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PAGE 05 SAIGON 16036 02 OF 02 070735Z

NO 1,25 PERCENT WHITE RICE: VN\$ 125806/100 KGS
NO 1,20 PERCENT WHITE RICE: VN\$ 12840/100 KGS
NO 1, 15 PERCENT WHITE RICE: VN\$ 13100/100 KGS
NO 1, ORDINARY LONG GRAIN RICE
(20 PERCENT BROKENS): VN\$ 13600/100 KGS
NO 1, SPECIAL LONG GRAIN RICE
(15 PERCENT BROKENS): VN\$ 14660/100 KGS
APPLING

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